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Office Memorandum • UNITED STATES GOVERNMENT

TO : Chief, Economic Research, ORR

DATE: 27 July 1959

FROM : Chief, Materials Division, ORR

SUBJECT: Comments on "Communist Bloc Oil", a Report to Investors in International Oils, Prepared by [REDACTED] 25X1A5a

1. The information on petroleum contained in the subject report is probably adequate for the purpose intended, particularly when the data presented are qualified as described on page vi. The data presented have been largely obtained from secondary sources, and in many cases vary from our own estimates.

a. The conclusions given on pages vii-ix, with minor exceptions, are generally acceptable.

b. The map on page 8 is inaccurate with respect to the location and distribution of sedimentary basins, and of oil and gas fields. For example, there are no oil fields in Kamchatka or in the vicinity of Yakutsk.

c. Oil reserves in the USSR as of 1 January 1959, are about three times the 9 billion barrels given in the table on page 10. The potential oil resources in the USSR are considered to be about three times larger than the figure of 64.5 billion barrels cited on page 11, paragraph 2.

d. The map locating refineries (page 25) shows several refineries completed which are under construction or proposed, as well as some that are non-existent. In China, refineries at Yumen and Tsaidam are completed, though shown as proposed. Two refineries in northeast China are not shown.

e. In the discussion on pipelines (pages 31-32) the different sources cited with respect to the percentage of oil transported by pipeline are widely divergent. The data from World Petroleum are substantially correct. The pipeline map (page 28) contains some errors.

f. The section on China (pages 37-42) contains relatively more errors than the remainder of the report; some of them are significant. For example, of the four statements in paragraph 5, page 38, the first three are incorrect. The third statement contradicts information previously given.

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g. The discussion and data on Communist Bloc exports (pages 54-71) contains some errors, but the over-all picture presented is approximately correct.

h. While the forecasts of energy production (Table, page 74) for the USSR and the European Satellites are approximately correct, those for China are significantly lower than our current estimates.

i. Although supported by questionable methodology and unwarranted assumptions the forecasts of Bloc petroleum exports (page 92) are within the range of our estimates.

2. The foreword of the report makes reference to other commodities including aluminum, platinum, tin, asbestos and diamonds.

a. Our estimates for aluminum production and trade compared with those in the study are shown below: 25X1A5a

	U/MP C/A (metric tons)		(probably metric tons)	
	<u>1958</u>	<u>1965</u>	<u>1958</u> <u>1965</u>	
Sino-Soviet Bloc Production	675,000	1,900,000-2,000,000	717,000 3,586,000	
	<u>1957</u>	<u>1958</u>	<u>1957</u> <u>1958</u>	
USSR Exports to UK	15,748	11,479	21,000 16,000	
China Imports from France	1958	9,527		5,000

25X1A5a The significant difference between our estimates and those of [REDACTED] is the magnitude of aluminum production in the Sino-Soviet Bloc in 1965. Our data are believed to reflect more accurately the extent of Bloc plans for expansion. We doubt that the Bloc will be successful in achieving their plans for aluminum output. Therefore, our conclusion is that [REDACTED] has greatly overestimated the Bloc's aluminum output in 1965. 25X1A5a

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b. The statements in the report regarding platinum, tin, and asbestos are believed to be reasonably accurate. The second paragraph on page iv of the Foreword, however, implies that Soviet exports of diamonds have affected the Free World diamond market. We are convinced that the USSR continues to be a net importer of diamonds from the Free World, obtaining nearly all of its imports through long-established clandestine channels. The Bloc may become self-sufficient by 1965 but probably not before then.

25X1A9a [REDACTED]

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